

BILL # HB 2209

SPONSOR: Burns, J.

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TITLE: eminent scholars fund; technical correction
(S/E subject: mental health insurance coverage)

STATUS: As Amended by Senate Health

FISCAL ANALYSIS

Description

This bill prohibits group health insurers from imposing treatment limitations or financial requirements on mental health coverage unless comparable limits are imposed on medical benefits.

Estimated Impact

This bill would likely increase the cost of the state's employee health insurance program by expanding mental health coverage. Additional information from the Arizona Department of Administration (ADOA), however, is needed prior to estimating this cost.

This bill could potentially have other state impacts in terms of state revenue collections and Arizona Health Care Cost Containment System (AHCCCS) costs.

Analysis

"Mental health parity" laws are designed to provide similar benefits and limits for mental illness as for other forms of illnesses. There are different levels of mental health parity and mental health parity laws have varied by state. Under full parity, mental health coverage must have the same benefits as physical illnesses in regards to co-pays, deductibles, number of hospital days, number of health professional visits, annual limit, and lifetime limit. More limited versions require parity only if any mental health illnesses are covered or only require certain conditions to be covered.

A.R.S. § 20-2322 requires mental health parity for annual and lifetime limits. Thus, a group health insurance plan must not implement a different annual or lifetime limit for mental health benefits than it does for other illnesses' benefits. The statute, however, exempts small employers with fewer than 50 employees, and employers that experience more than a 1% increase in their premiums as a result of implementing the parity requirement. It also does not require that all plans provide mental health services, nor does it require that financial contributions be equivalent.

This bill requires that all plans that offer mental health coverage offer parity between mental and physical illnesses. Essentially, this bill would mandate equality in co-pays, deductibles, number of hospital days, number of health professional visits, annual limit, and lifetime limit for all group insurance including small businesses, if mental health coverage is offered at all. Individual plans and companies which self-insure are exempt from this bill. The bill defines mental health benefits as any mental health disorders or conditions that involve mental illness or substance abuse related disorders that fall under any of the diagnostic categories listed in the mental disorders section of the International Classification of Disease (ICD) and meet the plan or insurer's medical necessity criteria. The bill, however, excludes full parity for the autism spectrum disorder, as legislation was signed into law earlier in the session which addresses autism.

A number of studies have been conducted over the years estimating the cost of mental health parity. Some estimates are as high as 5%-10%, while others have estimated the cost at under 1%. In part, the different estimates may reflect the different levels of possible parity. As described above, parity can refer to a number of different items, and many policies provide some exclusions. Moreover, costs can differ significantly depending on current coverage; it is more expensive to implement parity if a plan currently offers no mental health coverage as opposed to one which currently has limited coverage. Given the different definitions of parity and the uniqueness of each health care market, the experience of other states may not be directly applicable to Arizona.

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There are at least 3 areas which could be impacted by the bill: the cost of health insurance to state employees, state tax collections, and AHCCCS enrollment.

State Employee Health Insurance

A.R.S. § 38-651 requires ADOA to implement any private-sector mandates in its coverage. As a result, the state's self-insured health plan, administered by ADOA, would be required to provide increased mental health and substance abuse coverage. Presently, ADOA provides parity with most mental health benefits classified in the ICD. Current limitations are included below.

- Voluntary and court-ordered residential substance abuse treatment is limited to 30 days and 2 treatments per plan year.
- In-patient detoxification coverage is limited to 2 treatments per plan year and a lifetime maximum of 5.
- Developmental disorders are excluded from coverage, including developmental reading disorders, developmental arithmetic disorders, developmental language disorders, and developmental articulation disorders.

We are awaiting information from ADOA as to whether or how the bill would impact these limitations and other aspects of the state employee health insurance program.

Tax Revenues

This bill may have an impact on tax revenues if the mandate results in higher health insurance premiums. Insurance premium tax revenues may increase while corporate income tax revenues and individual income tax revenues may decrease. The amount of these revenue increases and decreases would be dependent on the amount by which premiums increase, who bears the burden of this increase, and behavioral responses to the mandate.

Currently, Arizona has a 2% tax on health insurance premiums, so if premiums were to increase, so would tax revenues. At the same time, corporate income tax and individual income tax revenues could decrease. If a corporation purchasing health insurance for its employees decided to bear the burden of the increased cost, they would be able to deduct this as a business expense, thereby lowering profits and potentially decreasing the amount they pay in corporate income tax.

AHCCCS Enrollment

A mental health mandate could influence the number of individuals enrolled in AHCCCS. In April 2008, 3.4%, or 37,000 AHCCCS members, also had private insurance coverage. Since AHCCCS is the payor of last resort, the state only pays mental health bills which are not covered by one's private insurance. If a person is dually-enrolled and this mandate results in more generous mental health coverage, costs to AHCCCS could decline. Conversely, if higher premiums induce an employer to drop mental health benefits or health care coverage altogether, the cost to AHCCCS could increase.

Local Government Impact

This bill may increase local governments' employee health insurance premiums.